



Notice

10 April 2018

Bunbury Water Corporation (trading as Aqwest)

2017 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2017 operational audit and asset management system review [report](#) for Bunbury Water Corporation's (trading as Aqwest) (**Aqwest**) water services licence WL2, and the associated post-audit implementation [plan](#).

Action by the ERA

The findings of the 2017 audit indicate that Aqwest needs to materially improve its compliance with the licence. The ERA has decided to reduce the period covered by the next audit from 48 months to 36 months. The next audit will cover 1 October 2017 to 30 September 2020, with the report due by 31 December 2020.

The review found Aqwest has a very effective asset management system. The ERA has decided to retain the period covered by the next review at 48 months. The next review will cover 1 October 2017 to 30 September 2021, with the report due by 30 December 2021.

BACKGROUND TO THE ERA'S DECISION

Audit ratings

The auditor determined that there were 201 licence obligations applicable to Aqwest's licence, with 19 of those obligations identified as not applicable during the audit period.

Of the remaining 182 obligations that were rated for compliance, the auditor found:

- 85 were rated A1 (adequate controls, compliant);
- Eight were rated B1 (generally adequate controls, compliant);
- Three were rated D1 (no controls evident, compliant);
- 16 were rated A2 (adequate controls, minor non-compliance);
- 60 were rated A/NR or B/NR or D/NR (adequate or generally adequate or no controls evident, not rated for compliance due to lack of relevant activity); and
- 10 were rated NP/1 or NP/NR (not performed, compliant or not rated for compliance due to lack of relevant activity).

Four non-compliances were resolved by the time the audit report was prepared.¹

¹ Obligations 119, 161, 167 and 190.

Audit recommendations and post-audit implementation plan

The auditor made 18 recommendations. 11 recommendations address non-compliances and seven address control deficiencies and control improvements. Two recommendations addressing non-compliances² and two recommendations addressing control deficiencies³ had been completed by the time the post-audit implementation plan was received by the ERA.

The post-audit implementation plan states that Aqwest will address the outstanding recommendations by 31 October 2018.

Review ratings

The assessment of the 12 asset management components prescribed in the ERA's [*Audit and Review Guidelines: Water Licences*](#) found that all components were performed effectively and rated A1 (adequately defined, performed effectively).

Review recommendations and post-review implementation plan

The auditor made no recommendations following the 2017 review.

As the auditor did not make any recommendations, the ERA has not requested a post-review implementation plan from Aqwest.

ERA's response to the audit and review

Audit

The 2017 audit is the first time that Aqwest's compliance with the licence made under the *Water Services Act 2012* has been assessed.

Seven of the 16 non-compliances identified in the audit concerned prescribed information not being provided to customers. The ERA considers some of these non-compliances to be material, because customers were not given information about their water service (conditions of connection, information on the bill, identifying estimated bills). Customers were also not informed they had the option to use Centrepay to pay a bill, and were not offered the prescribed options to refund an overcharged amount. There is also a concern that Aqwest has not kept adequate records of payment plans entered into with tenants.

The ERA considers that the auditor has taken a conservative approach to the audit when it comes to the controls ratings. Some of the obligations that were rated as having inadequate controls were because the auditor could not find specific reference to the relevant regulatory instrument or text that explicitly addressed the requirements of the obligation in the documentation reviewed. In some cases, the ERA agrees that Aqwest should update its policies and procedures to identify where the prescribed information can be found.

Review

The ERA is satisfied that during the review period Aqwest maintained an effective asset management system, with all 12 asset management components rated A1.

² Obligations 100 and 102.

³ Obligations 57 and 84-87.

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